

AUGUST 31, 1964

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(210) FOUNDATIONS

WASHINGTON, AUGUST 31, (AP)--THE J. M. KAPLAN FUND OF NEW YORK, A TAX-EXEMPT FOUNDATION, HAS BEEN USED AS A SECRET CONDUIT FOR FUNDS EXPENDED BY THE CENTRAL INTELLIGENCE AGENCY, REVENUE OFFICIALS TESTIFIED TODAY.

THE DISCLOSURE CAME AT A HEARING BY A HOUSE SMALL BUSINESS SUBCOMMITTEE INVESTIGATING TAX EXEMPTIONS FOR FOUNDATIONS. THE KAPLAN FUND IS BEING AUDITED BY THE NEW YORK OFFICE OF THE INTERNAL REVENUE SERVICE. ITS TAX EXEMPTION WAS ORDERED REVOKED BY NEW YORK DISTRICT OFFICIALS IN 1957 AND 1958, BUT THE NATIONAL OFFICE REVERSED THIS FINDING IN 1960 AND CONTINUED THE EXEMPTION.

MITCHELL ROGOVIN, ASSISTANT TO THE INTERNAL REVENUE COMMISSIONER, TESTIFIED THE REVENUE SERVICE FIRST "BECAME AWARE OF THEIR (CIA'S) INTEREST IN THE FUND" LATE IN 1961 WHEN THE SUPERSECRET INTELLIGENCE AGENCY BROUGHT THE MATTER UP WITH THE TAX COLLECTORS.

"THEY HAD LEARNED THAT AN AUDIT OF THE FUND WAS BEING CONDUCTED AND THEY WERE CONCERNED WHETHER THEIR INTEREST WOULD BE MADE PUBLIC AND WHETHER THE FUND WOULD BE JEOPARDIZED BY THE AUDIT," ROGOVIN TESTIFIED.

IN RESPONSE TO INQUIRIES FROM NEWSMEN, THE CIA SAID IT HAD NO COMMENT ON THE TESTIMONY.

ROGOVIN AND HIS SUPERIOR, ACTING COMMISSIONER BERTRAND M. HARDING, SAID THAT EVEN THE NEW YORK OFFICE WHICH WAS CONDUCTING THE AUDIT DID NOT KNOW OF THE CIA CONNECTION WITH THE FUND.

THERE WAS NO TESTIMONY AS TO HOW MUCH CIA MONEY PASSED THROUGH THE FUND OR TO WHOM IT WAS PAID.